



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Representatives Howard, Setzer, and Szoka
Analyst(s): Cara Bridges
RE: House Bill 553 - PCS

SUMMARY TABLE

FISCAL IMPACT OF H.B.553, V.PCS					
	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue	477,094	292,031	292,031	292,031	292,031
Less Expenditures	469,388	284,388	284,388	284,388	284,388
General Fund Impact	7,706	7,643	7,643	7,643	7,643
NET STATE IMPACT	\$7,706	\$7,643	\$7,643	\$7,643	\$7,643

STATE POSITIONS	4.00	4.00	4.00	4.00	4.00
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TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

This bill requires the Department of Insurance (DOI) to license certain fire safety equipment installers. For implementation, DOI will need four positions (\$284,388 recurring), position startup costs (\$60,000 nonrecurring), and an IT tracking system (\$125,000 nonrecurring). The estimated new revenues for licenses and permit certifications total \$477,094 in the first year and \$292,031 annually thereafter.

FISCAL ANALYSIS

Expenditures

This bill directs DOI and the Commissioner of Insurance to adopt rules related to fire safety equipment, including the new requirement for a license and permit for certain fire safety equipment installers. The Commissioner may also designate a new examination requirement for installers who apply to be licensed by the State. The Commissioner is given the authority to deny or suspend licenses and permits under this bill. DOI estimates that four additional permanent staff



will be needed to implement the requirements of this bill, as well as one-time expenses related to supplies and equipment for the new positions. The new positions are:

- Program Manager (1 FTE - \$81,824 for salary and benefits) to oversee the administration of the program, as well as to assist the Commissioner with developing administrative rules and standards for the program, determining examination standards, and overseeing the revocation and suspension processes.
- Administrative Assistant (1 FTE - \$51,536 for salary and benefits) to provide administrative support to the program, including tracking licenses, permits, and revocations in the IT database.
- Field Inspector (2 FTE - \$75,514 for salary and benefits per position) to conduct installation inspections throughout the State to ensure rule compliance.

The State of Georgia has implemented a similar licensing program. In Georgia, building code inspector staff have incorporated fire safety inspections into their existing workload. DOI has building code staff and may be able to train these employees to also complete fire safety equipment installations. If so, the 2 FTE for Field Inspectors would not be necessary. However, due to the uncertainty of the number of inspections that will be needed and the impact on current building code inspector workload, this estimate assumes 4 FTE will be required. In addition, DOI requested funding for 6 temporary FTE for Field Inspectors. Based on Georgia's implementation, this analysis does not include funding for temporary staff. One-time expenses for the new positions include supplies like computer equipment and telephones, which can be purchased using lapsed salary generated while recruiting for and filling the new positions. Funding will be needed for two cars for the Field Inspectors, estimated at \$30,000 per car, or \$60,000 total.

DOI will also need to establish a new IT database system to track licenses, permits, and suspensions of installers. If the system is built in-house, the agency estimates production will take approximately six months and will have a one-time cost of \$125,000.

The chart below details the new expenditure requirements for implementing this bill.

Item	Cost
Program Manager (1 FTE)	\$81,824
Administrative Assistant (1 FTE)	\$51,536
Field Inspectors (2 FTE)	\$151,028
Start-up position costs	\$60,000
IT System	\$125,000
Total	\$469,388

Revenues

This bill will also generate new revenues to the State. The fees as set in the bill are:

- License initial fee: \$375
- License renewal: \$225
- Permit certification initial fee: \$285



- Permit certification renewal: \$175

These fees will be paid by non-governmental fire safety equipment installers who are licensed to work in the State. Based on estimates from DOI and the NC Association of Fire Equipment Distributors, there will be 175 companies that will apply for licenses. In addition, it's estimated that each company has 2.75 employees and each employee will apply for 3 permit certifications. There is not data available on how many new fire safety equipment installation businesses will be created, therefore this revenue estimate does not account for new initial license or permit fees after the first year of implementation. The estimated new revenues to the State total \$477,094 in the first year and then \$292,031 annually, beginning in the second year. The charts below detail the revenue impact:

Licenses

Companies	Initial License Fee	License Renewal Fee	Year 1 Revenues	Year 2 (ongoing) Revenues
175	\$375	\$225	\$65,625	\$39,375

Permit Certifications

Companies	Employees	Certifications per Employee	Certification Initial Fee	Certification Renewal Fee	Year 1 Revenues	Year 2 (ongoing) Revenues
175	2.75	3	\$285	\$175	\$411,469	\$252,656

TECHNICAL CONSIDERATIONS

The Commissioner is authorized to receive grants for the administration of this bill. Grants received for this purpose may offset the expenditures for implementation.

DATA SOURCES

NC Department of Insurance, NC Association of Fire Equipment Distributors

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

